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Part II—Section 2

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LOK SABHA

The following Bill was introduced in Lok Sabha on the 13th December, 1957:

BILL *No. 101 OF 1957

A Bill to provide for the levy and collection of additional duties of excise on certain goods and for the distribution of a part of the net proceeds thereof among the States and to declare those goods to be of special importance in inter-State trade or commerce.

BE it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. (1) This Act may be called the Additional Duties of Excise ^{Short title and extent.} (Goods of Special Importance) Act, 1957.

(2) It extends to the whole of India.

2. In this Act,—

Definitions.

(a) "additional duties" means the duties of excise levied and collected under sub-section (1) of section 3;

(b) "State" does not include a Union territory;

(c) the words and expressions "sugar", "tobacco", "cotton fabrics", "rayon or artificial silk fabrics" and "woollen fabrics" shall have the meanings respectively assigned to them in Items Nos. 8, 9, 12, 12A and 12B of the First Schedule to the Central Excises and Salt Act, 1944.

1 of 1944.

3. (1) There shall be levied and collected in respect of the following goods, namely, sugar, tobacco, cotton fabrics, rayon or artificial silk fabrics and woollen fabrics produced or manufactured in India Levy and collection of additional duties.

* The President has, in pursuance of clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to the Lok Sabha, the introduction and consideration of the Bill.

and on all such goods lying in stock within the precincts of any factory, warehouse or other premises where the said goods were manufactured, stored or produced, or in any premises appurtenant thereto, duties of excise at the rate or rates specified in the First Schedule to this Act.

(2) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises and Salt Act, 1944, or any other law for the time being in force.

1 of 1944.

(3) The provisions of the Central Excises and Salt Act, 1944, and the rules made thereunder, including those relating to refunds and exemptions from duty, shall, so far as may be, apply in relation to the levy and collection of the additional duties as they apply in relation to the levy and collection of the duties of excise on the goods specified in sub-section (1).

Distribution
of additional
duties among
States.

4. During each financial year, there shall be paid out of the Consolidated Fund of India to the States in accordance with the provisions of the Second Schedule such sums, representing a part of the net proceeds of the additional duties levied and collected during that financial year, as are specified in that Schedule.

Expenditure
to be charged
on the
Consolidated
Fund of
India.

Power to
make rules.

5. Any expenditure under the provisions of this Act shall be expenditure charged on the Consolidated Fund of India.

(1) The Central Government may, by notification in the Official Gazette, make rules providing for the time at which, and the manner in which, any payments under the provisions of this Act are to be made, for the making of adjustments between one financial year and another and for any other incidental or ancillary matters.

(2) All rules made under this section shall, as soon as may be after they are made, be laid for not less than thirty days before each House of Parliament and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

Declaration
of certain
goods to be
of special
importance
in inter-State
trade or
commerce.

7. It is hereby declared that the following goods namely, sugar, tobacco, cotton fabrics, rayon or artificial silk fabrics and woollen fabrics are of special importance in inter-State trade or commerce and every sales tax law of a State shall, in so far as it imposes or authorises the imposition of a tax on the sale or purchase of the declared goods, be subject as from the 1st day of April, 1958, to the restrictions and conditions specified in section 15 of the Central Sales Tax Act, 1956.

Declaration under the Provisional Collection of Taxes Act, 1931
 (16 of 1931)

It is hereby declared that it is expedient in the public interest that the provisions of clause 3 of the Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931

THE FIRST SCHEDULE

[See section 3(1)]

Item No. in the First Schedule to the Central Excises and Salt Act, 1944	Description of goods	Rate of additional duty
(1)	(2)	(3)
8. SUGAR		Three rupees and thirty-one naye paise per cwt.
9. TOBACCO—		
I. <i>Unmanufactured tobacco</i> —		per lb.
(1) if flue cured and used in the manufacture of cigarettes containing—		
(i) more than 60 per cent. weight of imported tobacco.		Nil.
(ii) more than 40 per cent. but not more than 60 per cent. weight of imported tobacco.		Nil.
(iii) more than 20 per cent. but not more than 40 per cent. weight of imported tobacco.		Nil.
(iv) 20 per cent. or less than 20 per cent. weight of imported tobacco.		Nil.
(v) no imported tobacco.		Nil.
(2) if flue cured and used for the manufacture of smoking mixtures for pipes and cigarettes.		Fifty naye paise.
(3) if flue cured and not otherwise specified.		Twenty naye paise.
(4) if other than flue cured and used for the manufacture of (a) cigarettes or (b) smoking mixtures for pipes and cigarettes.		Nil.

(1)

(2)

(3)

(5) if not flue cured and not actually used for the manufacture of (a) cigarettes or (b) smoking mixtures for pipes and cigarettes—

<p>(i) stems of tobacco larger than $1/4''$ and stems of tobacco not larger than $1/16''$ in size.</p> <p>(ii) dust of tobacco.</p> <p>(iii) granule ('rawa') of tobacco not larger than $1/16''$ square in size.</p> <p>(iv) tobacco cured in whole leaf form and packed or tied in bundles, hanks or bunches or in the form of twists or coils.</p>	}	Three naye paise.
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(6) if other than flue cured and not otherwise specified. Twenty naye paise.

(7) if used for agricultural purposes Nil.

(8) stalks One naya paise.

II. Manufactured tobacco— Per hundred.

(1) Cigars and cheroots of which the value—

<p>(i) exceeds Rs. 30 a hundred.</p> <p>(ii) exceeds Rs. 25 a hundred but does not exceed Rs. 30 a hundred.</p> <p>(iii) exceeds Rs. 20 a hundred but does not exceed Rs. 25 a hundred.</p> <p>(iv) exceeds Rs. 15 a hundred but does not exceed Rs. 20 a hundred.</p> <p>(v) exceeds Rs. 10 a hundred but does not exceed Rs. 15 a hundred.</p> <p>(vi) exceeds Rs. 5 a hundred but does not exceed Rs. 10 a hundred.</p> <p>(vii) exceeds Rs. 2-8-0 a hundred but does not exceed Rs. 5 a hundred.</p> <p>(viii) exceeds Rs. 1-4-0 a hundred but does not exceed Rs. 2-8-0 a hundred.</p> <p>(ix) exceeds 14 annas a hundred but does not exceed Rs. 1-4-0 a hundred.</p>	Three rupees.
	Two rupees and fifty naye paise.
	Two rupees.
	One rupee and fifty naye paise.
	One rupee.
	Fifty naye paise.
	Twenty-five naye paise.
	Ten naye paise.
	Five naye paise.

(2) Cigarettes of which the value— Per thousand.

<p>(i) exceeds Rs. 50 a thousand.</p> <p>(ii) exceeds Rs. 35 a thousand but does not exceed Rs. 50 a thousand.</p> <p>(iii) exceeds Rs. 30 a thousand but does not exceed Rs. 35 a thousand.</p> <p>(iv) exceeds Rs. 25 a thousand but does not exceed Rs. 30 a thousand.</p> <p>(v) exceeds Rs. 20 a thousand but does not exceed Rs. 25 a thousand.</p> <p>(vi) exceeds Rs. 15 a thousand but does not exceed Rs. 20 a thousand.</p>	Eight rupees and sixty naye paise.
	Seven rupees and sixty naye paise.
	Four rupees and twenty naye paise.
	Three rupees and eighty naye paise.
	Two rupees and sixty naye paise.
	Two rupees and twenty naye paise.

(1)

(2)

(3)

(vii) exceeds Rs. 10 a thousand but does not exceed Rs. 15 a thousand.	One rupee and ten naye paise.
(viii) exceeds Rs. 7-8-0 a thousand but does not exceed Rs. 10 a thousand.	Sixty naye paise.
(ix) does not exceed Rs. 7-8-0 a thousand	Forty naye paise.
(3) Birs in the manufacture of which any process has been conducted with the aid of machines operated with or without the aid of power.	Sixty naye paise.

12. COTTON FABRICS—

(1) Cotton fabrics, superfine	Thirteen naye paise per square yard.
(2) Cotton fabrics, fine	Eight naye paise per square yard.
(3) Cotton fabrics, medium	Four naye paise per square yard.
(4) Cotton fabrics, coarse	Three naye paise per square yard.
12A. RAYON OR ARTIFICIAL SILK FABRICS	Three naye paise per square yard.
12B. WOOLLEN FABRICS	Five per cent. <i>ad valorem</i> .

THE SECOND SCHEDULE

(See section 4)

PART I

Distribution of additional duties on sugar

1. In this Part,—

(a) "net proceeds", as respects any financial year, means the net proceeds of the additional duties in respect of sugar levied and collected during that financial year;

(b) "Table" means the Table at the end of this Part.

2. During each of the financial years commencing on or after the 1st April, 1958, there shall be paid—

(a) to the State of Jammu and Kashmir a sum equal to 1.25 per cent. of the net proceeds; and

(b) to each of the States specified in the first column of the Table—

(i) a sum equal to such percentage of one-fourth of the net proceeds as is specified against that State in the second column of the Table;

(ii) a sum equal to the difference between the sum specified against that State in the third column of the Table and the sum payable to that State under sub-clause (i); and

(iii) if the total of the sums payable to all the States under the preceding provisions of this paragraph is less than 99 per cent. of the net proceeds by any amount, a further sum equal to such percentage of that amount as is specified against that State in the fourth column of the Table:

Provided that if during that financial year there is levied and collected in any State specified in the Table a tax on the sale or purchase of sugar by or under any law of that State, no sums shall be payable to that State under sub-clause (ii) or sub-clause (iii) of clause (b) in respect of that financial year, unless the Central Government by special order otherwise directs.

3. In respect of the financial year ending on the 31st March, 1958, the provisions of paragraph 2 (excluding the proviso) shall apply for the distribution of a part of the net proceeds, subject to the modification that each of the sums specified in the third column of the Table shall be deemed to have been replaced by one-fourth of that sum.

TABLE

	1	2	3	4
(Rupees in lakhs)				
Andhra Pradesh	.	9.38	40	6.65
Assam	.	3.46	15	2.55
Bihar	.	10.57	30	8.20
Bombay	.	12.17	245	20.17
Kerala	.	3.84	20	3.03
Madhya Pradesh	.	7.46	40	7.67
Madras	.	7.56	60	7.43
Mysore	.	6.52	25	5.13
Orissa	.	4.46	20	2.87

I	2	3	4
(Rupees in lakhs)			
Punjab	4·59	50	7·21
Rajasthan	4·71	25	4·81
Uttar Pradesh	15·94	112	15·63
West Bengal	7·59	36	8·65

PART II

Distribution of additional duties on tobacco

4. The provisions of paragraphs 2 and 3 shall apply for the distribution of a part of the net proceeds of the additional duties on tobacco levied and collected during each financial year as they apply for the distribution of a part of the net proceeds of the additional duties on sugar, subject to the modification that the references therein to the Table shall be construed as references to the Table below.

TABLE

I	2	3	4
(Rupees in lakhs)			
Andhra Pradesh	9·38	75	10·47
Assam	3·46	30	2·98
Bihar	10·57	20	8·90
Bombay	12·17	115	17·41
Kerala	3·84	37	3·43
Madhya Pradesh	7·46	32	7·10
Madras	7·56	57	9·53
Mysore	6·52	27	5·58
Orissa	4·46	15	3·21
Punjab	4·59	30	4·36
Rajasthan	4·71	15	3·59
Uttar Pradesh	15·94	63	16·13
West Bengal	7·59	40	7·31

PART III

Distribution of additional duties on textiles

5. In this Part,—

(a) "net proceeds", as respects any financial year, means the net proceeds of the additional duties in respect of cotton fabrics, rayon or artificial silk fabrics and woollen fabrics levied and collected during that financial year;

(b) "Table" means the Table at the end of this Part.

6. During each of the financial years commencing on or after the 1st April, 1958, there shall be paid—

(a) to the State of Jammu and Kashmir a sum equal to 1·25 per cent. of the net proceeds;

(b) to each of the States specified in the first column of the Table—

(i) such sum as is specified against that State in the second column of the Table; and

(ii) if the total of the sums payable to all the States under the preceding provisions of this paragraph is less than 99 per cent. of the net proceeds by any amount, a further sum equal to such percentage of that amount as is specified against that State in the third column of the Table:

Provided that if during that financial year, there is levied and collected in any State specified in the Table a tax on the sale or purchase of cotton fabrics, rayon or artificial silk fabrics or woollen fabrics by or under any law of that State, no sums shall be payable to that State under clause (b) in respect of that financial year, unless the Central Government by special order otherwise directs.

7. In respect of the financial year ending on the 31st March, 1958, the provisions of paragraph 2 (excluding the proviso) shall apply for the distribution of a part of the net proceeds, subject to the modification that each of the sums specified in the second column of the Table shall be deemed to have been replaced by one-fourth of that sum.

TABLE

I	2	3
(Rupees in lakhs)		
Andhra Pradesh	120	7·38
Assam	40	2·72
Bihar	80	11·19
Bombay	600	16·46
Kerala	38	3·10
Madhya Pradesh	83	6·97
Madras	168	7·26
Mysore	48	4·98
Orissa	50	3·32
Punjab	95	5·56
Rajasthan	50	4·36
Uttar Pradesh	400	18·19
West Bengal	204	8·51

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to impose additional duties of excise in replacement of the sales taxes levied by the Union and the States on sugar, tobacco and millmade textiles and to distribute the net proceeds of these taxes, except the proceeds attributable to Union territories, to the States. The distribution of the proceeds of the additional duties broadly follows the pattern recommended by the Second Finance Commission. Provision has been made that the States which levy a tax on the sale or purchase of these commodities after the 1st April, 1958 do not participate in the distribution of the net proceeds. Provision is also being made in the Bill for including these three goods in the category of goods declared to be of special importance in inter-State trade or commerce so that, following the imposition of uniform duties of excise on them, the rates of sales tax if levied by any State are subject from 1st April, 1958 to the restrictions in section 15 of the Central Sales Tax Act, 1956.

T. T. KRISHNAMACHARI.

NEW DELHI;
The 9th December, 1957.

Notes on clauses

Clause 3.—This clause provides for the levy of additional duties on sugar, tobacco, cotton fabrics, rayon or artificial silk fabrics and woollen fabrics. Sub-clause (2) makes it clear that these duties shall be in addition to the duties of excise chargeable on these goods under the Central Excises and Salt Act, 1944, or any other law for the time being in force.

Clause 4.—This clause provides for the payment out of the Consolidated Fund of India of sums equivalent to a part of the net proceeds of the additional duties, the details of distribution being given in the Second Schedule.

Clause 5.—This clause makes the amount payable to the States charged expenditure on the Consolidated Fund of India

Clause 6.—This clause empowers the Central Government to make rules for purposes of implementing the provisions of the Act.

Clause 7.—This clause declares the goods subject to the additional duties of excise as of special importance in inter-State trade or commerce and it further provides that any law of a State imposing sales tax on these commodities shall be subject to the restrictions and conditions specified in section 15 of the Central Sales Tax Act, 1956, as from the 1st April, 1958.

The First Schedule.—This Schedule sets out the rates of additional duties.

The Second Schedule.—This Schedule sets out the basis of distribution of the additional duties of excise.

Ninety-nine per cent. of the net proceeds of the additional duties will normally be distributed among the States. Out of the net proceeds of the additional duties on sugar and tobacco, a sum equal to 25 per cent. of the net proceeds will be distributed among the States except the State of Jammu and Kashmir like the basic duties of excise on these goods. The balance will be distributed in accordance with the scheme recommended by the Finance Commission, the amount of guaranteed income of each State being reduced by the amount payable to it out of the distribution of 25 per cent. of the net proceeds. The distributable net proceeds of the additional duties

of millmade textiles will be distributed among the States on the basis recommended by the Finance Commission. It has also been provided that if any State levies a tax on the sale or purchase of any of these commodities after the 1st April, 1958, it should not participate in the distribution of the proceeds of additional duties in respect of that commodity (except in so far as it relates to the distribution of 25 per cent. of the net proceeds of additional duties on sugar and tobacco), unless the Central Government by special order otherwise directs.

FINANCIAL MEMORANDUM

The levy of the additional duties will not involve any significant increase in administrative expenditure, but as 99 per cent. of the net proceeds of the additional duties have to be distributed among the States, this would involve a payment of about Rs. 11 crores in the current year and of about Rs. 38 crores in a full year from the Consolidated Fund of India to the States.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 6 of the Bill empowers the Central Government to make rules in respect of matters specified therein. They relate to the time at which and the manner in which any payments are to be made to the States, the making of adjustments between one financial year and another and other incidental and ancillary matters. The matters in respect of which rules may be made are of a routine and administrative character. Moreover, the rules to be made shall be subject to the scrutiny of Parliament. The delegation of legislative power is thus of a normal character.

M. N. KAUL,
Secretary.

